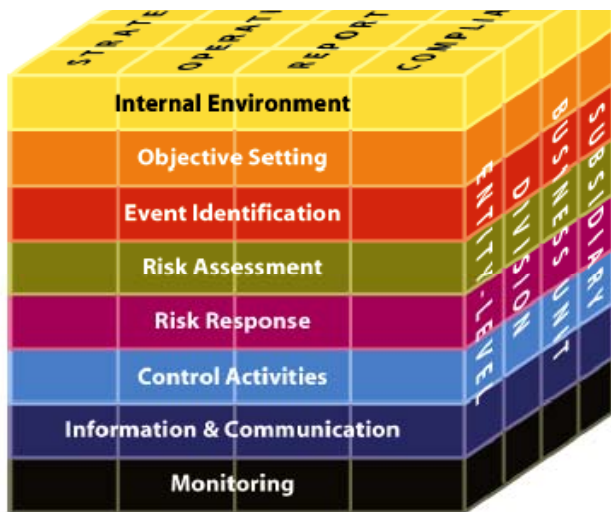


Office of City Auditor – City of Seattle

Monthly Report – September 2004



The City Auditor is Seattle's independent internal auditor, appointed by the City Council's Finance Committee Chair and confirmed by the full Council. The Office of City Auditor conducts financial, performance, management, and compliance audits of City departments, programs, grantees, and contracts. The office can be reached at (206) 233-3801, or on the Internet at <http://www.seattle.gov/audit>.



New Enterprise Risk Management Framework

The underlying premise of enterprise risk management is that every entity exists to provide value for its stakeholders. All entities face uncertainty, and the challenge for management is to determine how much uncertainty to accept as it strives to grow stakeholder value. Uncertainty presents both risk and opportunity, with the potential to erode or enhance value. Enterprise risk management enables management to effectively deal with uncertainty and associated risk and opportunity, enhancing the capacity to build value. Value is maximized when management sets strategy and objectives to strike an optimal balance between growth and return goals and related risks, and efficiently and effectively deploys resources in pursuit of the entity's objectives. Enterprise risk management encompasses:

- *Aligning risk appetite and strategy* – Management considers the entity's risk appetite in evaluating strategic alternatives, setting related objectives, and developing mechanisms to manage related risks.
- *Enhancing risk response decisions* – Enterprise risk management provides the rigor to identify and select among alternative risk responses – risk avoidance, reduction, sharing, and acceptance.
- *Reducing operational surprises and losses* – Entities gain enhanced capability to identify potential events and establish responses, reducing surprises and associated costs or losses.
- *Identifying and managing multiple and cross-enterprise risks* – Every enterprise faces a myriad of risks affecting different parts of the organization, and enterprise risk management facilitates effective response to the interrelated impacts, and integrated responses to multiple risks.
- *Seizing opportunities* – By considering a full range of potential events, management is positioned to identify and proactively realize opportunities.
- *Improving deployment of capital* – Obtaining robust risk information allows management to effectively assess overall capital needs and enhance capital allocation. These capabilities inherent in enterprise risk management help management achieve the entity's performance and profitability targets and prevent loss of resources. Enterprise risk management helps ensure effective reporting and compliance with laws and regulations, and helps avoid damage to the entity's reputation and associated consequences. In sum, enterprise risk management helps an entity get to where it wants to go and avoid pitfalls and surprises along the way.

Status of Seattle Office of City Auditor Rolling Work Program¹

(Highlighted projects denote change in status from the previous month)

Projects in the Preliminary Stage (see definitions below)

Homeland Security

Park's Credit Card Security

Projects in the Job Design Phase

Election Charges

Enterprise Risk Assessment

Pro-Parks Levy

Impact of Climate Change on City Operations and Facilities

Seattle City Employees Retirement System Follow-Up

City Procurement Cards

Projects in the Data Gathering and Analysis Phase

Business Taxes

Construction Contract Review

Seattle City Light's Newhalem Library

Seattle City Light's Employee Store

Projects in the Report Writing Phase

Construction Contract Closeout

Domestic Violence

Procurement at Seattle Public Utilities

Seattle Channel

Project Share

Low Income Rate Assistance Follow Up

To Do Projects

Boards and Commissions

Boundary Dam Internal Controls

Citizen Complaints Audit Follow-Up

City's Weatherization Programs

Construction Scheduling

Madison Pool Facility Cash Fund Follow-up

Municipal Court Collection Services Follow-Up

Museum Development Authority

Neighborhoods Service Centers Cash Handling Follow-Up

Quality Assurance Review of Office of City Auditor

Revenue Trends

Seattle City Light Follow-Up

Seattle Department of Transportation Permit Center Follow-Up

Small Works Roster–Construction

Small Works Roster–Consultants

Street Use Permits

Street Vacations

Treasury and Business Improvement Area Follow-Up

Warehouses–Citywide

Information Technology Efficiencies

Ongoing Projects

Cable Customer Bill of Rights

Citywide Cash Handling

Report Issued In September

Seattle City Light Customer Service Center Cash Audit

Preliminary: Preliminary review under way to determine whether topic is valuable for an audit.

Job Design: Audit scope is determined and a data-gathering plan is developed. A decision is also made on whether to continue the audit at the end of this phase.

Data Gathering and Analysis: Comprehensive fieldwork and in-depth analysis is completed during this phase.

Report Writing: Development of the final report.

Follow-Up: Assessment of City departments' implementation of earlier audit recommendations is often completed one to two years after publication.

To Do: Issues the office will consider examining as staff resources become available.

Ongoing: Official briefings, management reporting, and other small consulting engagements performed on a continuous or regular basis.

¹The Office of City Auditor maintains a "rolling" work program. Throughout the year, we receive new audit suggestions and reprioritize our work program to ensure that we address the most important issues first. The office is currently staffed to complete 12 to 14 projects annually.